

STAFF REPORT

AGENDA ITEM: Update on the OHMVR Program Budget for Fiscal Year 2011/12

STAFF: Daphne Greene, Deputy Director, OHMVR Division
Phil Jenkins, Chief, OHMVR Division

DATE: April 5, 2011

Issue: Staff will provide an update on actions taken by the Assembly, Senate, and Governor related to the OHV Trust Fund since the OHMVR Commission met last on March 14th.

Background: At the OHMVR Commission meeting on March 14th, OHMVR Division staff provided an overview and status update of the state's Budget Bill process of the Governor, Senate, and the Assembly pertaining to the OHV Trust Fund.

March 4th: The Budget Conference Committee adopted a budget that included cutting \$10 million from the OHV Trust Fund - \$5 million from the Local Assistance budget (grants) and \$5 million from the Operations budget. The entire \$10 million would be transferred to the General Fund.

March 17th: The Assembly and Senate voted on and passed trailer bill language for the following:

SB 71 and AB 95 required the state controller to withhold \$833,000 from the monthly transfer from the Motor Vehicle Fuel Account to the OHV Trust Fund, and instead transfer that amount to the General Fund. This change in statute is achieved through an amendment to the Revenue and Taxation Code, Section 8352.6 (a)(2). This transfer totals slightly less than \$10 million voted upon by the Budget Conference Committee on March 4th. The transfer will be an ongoing monthly take.

On the same day, SB 84 and AB 108 were also passed. This trailer bill language reflects the \$21 million loan from the OHV Trust Fund reserves to the state General Fund. This loan to the Administration is included in a long list of loans proposed by the Administration to cover the cost of not proceeding with the sale and leaseback of 11 state properties proposed by the previous Administration.

The attached letter and report from the Department of Finance, dated January 25, 2011 includes a complete list of previous loans.

March 17th: Later in the day, SB 71 and AB 95 were merged into one bill, as were SB 84 and AB 108. These two bills, AB 95 and AB 108, were approved by the Assembly and Senate as part of the entire Budget Act of 2011.

March 24th: Governor Jerry Brown signed 13 Budget Bills, including AB 95 and AB 108, to reduce California's \$26.6 billion budget deficit by approximately \$11.2 billion.

At the March 14th OHMVR Commission meeting, the OHMVR Commissioners voted to approve the writing of two letters: one to the Governor and certain members of the legislature, expressing their concern regarding the \$21 million loan and the proposed \$10 million take. In addition, a motion was approved to write a letter to the Attorney General asking for a legal opinion as to the fungibility of the various OHV monies that come into the program and whether they can be transferred to the General Fund.

Discussion: Much uncertainty remains about how the outstanding \$12.6 million deficit will be solved. Governor Brown has proposed extending existing taxes or making deeper cuts.

The Legislative Analyst Office (LAO), which advises the Legislature on budget issues, released a memo on February 10th (attached) in response to a request by Senator Leno who asked the LAO what the Legislature could do if voters or lawmakers reject a ballot tax initiative or other revenue generation ideas. The LAO offered \$13.5 billion in alternatives.

On page A1:4, the LAO offered the option of an \$88 million reduction to the OHV Program. The LAO Director emphasized that his office was not necessarily recommending the alternatives identified in the memo, but illustrating the types of solutions that would be required under the scenario provided by Senator Leno.

The annual income to the OHV Trust Fund averages \$85 million.

Commission action: To be determined by the Commission.